"The material contained here provides general quick reference to IRC 41. It is not meant to imply that any specific audit technique or procedure be strictly adhered to.' IRC 41(a)--Research Tax Credit= Research Tax Credit= 13% X Excess QRE (i.e. Qualified Research Expense) Excess QRE = Total QRE – Base Amount 20% X Excess QRE (i.e. Qualified Research Expense)
Excess QRE = Total QRE – Base Amount
Base Amount = Fixed-base % X Average Annual GR (i.e. 280C Base Amount = Fixed-base % X Average Annual GR (i.e. Flection Gross Receipts) made on Base amount cannot be less than 50% current yr. QRE, IRC ORIGINAL Base amount cannot be less than 50% current vr. ORE, IRC 41(c)(2) return 174 deduction adjustment is NOT required. Taxpayer must reduce their 174 deduction by an amount equal to the amount of the credit. Elective Regime: Alternative Incremental Credit, IRC 41(c)(4) Fixed-base Percentage - In General, IRC Fixed-base Percentage-Start-up, IRC 41(c)(3)(A) 41(c)(3)(B) Start-up company is generally defined as a taxpayer who did not have both gross receipts and QREs during each of at least 3 taxable years beginning after 1983 and before 1989, IRC 41(c)(3)(B)(ii)(I) assigns a fixed-base In general, a taxpayer's fixed-base percentage is the percentage which the aggregate QREs of the taxpayer for taxable a = Current year QREs
 b = Average annual Gross Receipts b = Average annual Gross Receipts
 (prior 4 years)
 years beginning after December 31, 1983, and before January 1, 1989, is of the aggregate gross receipts of the taxpayer for such taxable percentage of 3% in making the above computation for the first 5 taxable years beginning in the taxable year that TP has QRE years IRC 41(c)(3)(A)

The maximum fixed-base percentage is 16 percent, IRC 41(c)(3)(C) after 1993. In years 6 through 9, a statutory fraction of the ratio between aggregate QREs and aggregate gross receipts is used to determine the start-up's fixed-base percentage. See IRC 41(c)(3)(B)(ii)(II) through (VII) to determine The Tax Relief Extension Act of 1999 amended nection 41(o)(4)(A) by striking 1.65 percent and inserting 2.65 percent, by striking 2.25 percent and inserting 3.2 percent, and by striking 2.75 percent and inserting 3.75 percent." This change applies to General Rules Consistent treatment (i.e. credit year to base years) of expense is required, IRC 41(c)(5), Reg.1.41-3(d) Gross receipts defined, IRC 41(c)(6), Reg.1.41-3(c) the start-up's fixed base percentage after its taxable years beginning after 6/30/99. initial 5-year period.

The maximum fixed-base percentage is 16 percent, IRC 41(c)(3)(C) Aggregation of expenditures for controlled groups, IRC 41(f)(1) & (5) Allocations for pass-thru, IRC 41(f)(2) & (5)(g) Adjustment for acquisitions and dispositions, IRC Short taxable years, IRC 41(f)(4), Reg. 1.41-3(b) Termination. No credit available for amounts incurred after 6/30/95 thru 7/1/96, or after 12/31/05, IRC 41(h)(1)